

**Rebuttal Testimony in Support of the
WOONSOCKET WATER DIVISION**

**STEP INCREASE RATE FILING
DOCKET NO. 4879**

**NOTICE OF MULTI-YEAR RATE PLAN COMPLIANCE FILING,
PROPOSED TARIFF CHANGE,
AND CHANGE IN RATE SCHEDULES PURSUANT TO R.I.G.L. §
39-15.1-4**

MAY 2020

1 **Q. Will you please provide your full name and your employer for the record?**

2 **A.** Yes, my name is David George Bebyn CPA. I am the president of B&E Consulting
3 LLC.

4

5 **Q. Are you the same David Bebyn who filed direct and supplemental testimony in**
6 **this docket?**

7 **A.** Yes.

8

9 **Q. Have you reviewed the Memo filed by the witnesses from the Division?**

10 **A.** Yes. I would like to address aspects of each of those of Mr. Morgan on behalf of the
11 Division.

12

13 **Q. Please summarize your response to Mr. Morgan's memo.**

14 **A.** Mr. Morgan had a recommendation that three of WWD's additional adjustments
15 should not be allowed. In Mr. Morgan's view, "the components of the Step Increases
16 established in the Settlement Agreement limits the cost and revenue elements that are
17 subject to change during the Multi-year Rate Plan." The elements he identified as being
18 outside the limits of the Settlement Agreement are: 1) the Adjustment for Change in
19 Water Sales; 2) the Plant Master Maintenance Mechanic, and 3) the Extra Pension and
20 FICA Expense.

21

22 **Q. Mr. Bebyn, where in the settlement document does it details which accounts are**
23 **to be reviewed?**

24 **A.** Settlement Schedule 12 is the source where Mr. Morgan obtains the information used
25 in the tables presented in his memo regarding which accounts are to be reviewed. That
26 schedule lists brief descriptions regarding the adjustments for the step increase.

27

28 **Q. Can you address the first element – the adjustment for change in Water Sales?**

29 **A.** Yes. While there is no direct line item on settlement schedule 12 for water sales, I
30 believe that is implied by the line item for Light & Power. The Light & Power expenditure

1 can fluctuate based upon changes in the power rate and usage. The main driving force for
2 Light & Power usage is water production and distribution. The first year step (Rate year
3 2019) already made adjustments for the decrease in power rates. So the reduction in the
4 Light & Power expenditure, which covered Calendar Year 2019, is a function of usage.

5

6 **Q. Is there any evidence to support a Calendar Year 2019 decline in usage?**

7 **A.** Yes. DGB Step 1 Schedule - 1c in my prefiled testimony demonstrated that there was a
8 \$174,053 reduction in sales revenue from actual Calendar Year 2019 vs. the settlement.

9

10 **Q. Do you believe in your opinion that it is reasonable to allow for an adjustment to**
11 **sales given that Light & Power expense is being adjusted?**

12 **A.** Yes, I do. In fact, the adjustment is conservative. While the Light & Power adjustment
13 is made to reconcile it to Calendar Year 2019, the Sales adjustment does not. The sales
14 adjustment maintains a four average rather than the usage for Calendar Year 2019. This
15 updated four-year average result is a much smaller adjustment for water sales than the
16 adjustment would have been using Calendar Year 2019. It would be unreasonable to adjust
17 the Light & Power expense while not adjusting the resulting loss or gain Sales usage,
18 which drives the Light & Power expense fluctuation.

19

20 **Q. Mr. Bebyn, are you still proposing the \$46,243 adjustment from your prefiled**
21 **testimony?**

22 **A.** No. In preparing the data response to Division 6-9, it was noted that my originally filed
23 four-year average for wholesale sales did not include the FY 2019 usage for Cumberland.
24 This oversight was due to FY 2016 being the first year Cumberland began to purchase water
25 from WWD. I have reduced the adjustment to \$6,337, as a result, of correcting the
26 adjustment in response to Division 6-9.

27

28

29

1 **Q. Can you address the second element – the adjustment for the Plant Master**
2 **Maintenance Mechanic?**

3 **A.** Yes. Mr. Morgan recommends that adjustment not be allowed since “this is akin to any
4 other estimate that is made during a rate case that ends up being different than expected.”
5 Furthermore, as previously mentioned, he believes that the “Settlement Agreement limits
6 the cost and revenue elements that are subject to change during the Multi-year Rate Plan,”
7 thus, this would be outside the review of the multi-year plan. I disagree since the Multi-
8 year Rate Plan allows for adjustments to labor costs and, as a result, should be included in
9 the increase.

10

11 **Q. How are labor costs addressed in the multi-year plan?**

12 **A.** There is a line item for inflation on labor costs in the multi-year plan. In the settlement
13 agreement, a 2% rate was used as a placeholder. It should be noted that the base rate year
14 did not project any increase for labor. This 2% was maintained in the original step filing,
15 which generates \$22,049 additional cost, which is shown in the settlement. The actual
16 increase should be 7.6% (2.6% for FY 2019 and 5% for FY 2020), as reported in response
17 to Division 6-8. This would mean that the adjustment should be an \$83,787 increase at
18 7.6%, which is an additional \$53,657 of cost. I am recommending that this adjustment be
19 made and have included it in my rebuttal schedules.

20

21 **Q. Mr. Bebyn, this line item only mentions inflation, why should it also cover**
22 **changes in positions?**

23 **A.** It should cover it to be consistent with how this line item is handled in other Multi-year
24 plan filings. In Pawtucket’s Multi-year plan filing in Docket #4550, the labor costs were
25 not only adjusted with a given percentage, but the detailed labor budget was projected at
26 the step rate year levels. This total is compared to the previous detail, and the difference
27 was the adjustment. The difference between these two details did not reflect only salary
28 increases but also changes positions. While most of the changes in positions reflected
29 changes from class steps for utility workers, there was a case where there was a total

1 change. In the second step increase, Pawtucket swapped an engineering intern for a Water
2 CAD/GIS/Records coordinator with an increased salary level.

3

4 **Q. Did the Division support this approach for labor costs?**

5 **A.** The Division prepared a memo, which was authored by Mr. Morgan and Mr. Mierzwa,
6 that made no change to the proposed labor projections in Docket 4550 step two increase.

7

8 **Q. Can you address the last element – the adjustment for the Extra Pension and**
9 **FICA Expense?**

10 **A.** Yes. Regarding this line item, I would agree with Mr. Morgan with its removal. If I
11 base my position on labor cost with the treatment of Pawtucket in Docket #4550, then I
12 think it's reasonable to reflect the treatment of Pension and FICA expense accordingly. In
13 Docket #4550, that was no adjustment for this expense in that case. In light of that
14 treatment, I agree that no adjustment be made for Extra Pension and FICA Expense.

15

16 **Q. Mr. Bebyn, do you have an additional adjustment to make on your rebuttal**
17 **schedules?**

18 **A.** Yes. After making the adjustments for sales, labor inflation, and removing the extra
19 pension and FICA, the net increase would have been higher than our initial request. An
20 adjustment of (\$3,770) is needed to keep the increase in line with our initial request.

21

22 **Q. Does that conclude your rebuttal testimony?**

23 **A.** Yes.

Proposed Step Increase - RY 2020
Woonsocket Water Division

DGB Step 1 Schedule - 1
Rebuttal

YEAR 2 of 5 year plan - RY 2020/2021 (FYE 5/31/21)

Rate Year (FYE 5/31/19) Revenue Requirement

\$ 8,287,155 See Joint Settlement Schedule 2.0 page 3 of 3

Step Increases for 2020/2021 - See below

New Debt Reserve Funding	170,000
Plant Op Contract (existing plant)	59,992
Remove one time Chemical Credit	145,717
Light & Power Increase	(19,552)
Property & Fire Taxes Increase	1,998
Inflation Labor @ 2%	75,706
Inflation Non-Labor @ 2.5%	34,797
Rate Case Expense to cover Step	16,000
Adjustment for change in Water Sales	6,337
PLANT MASTER MAINT MECHANIC	50,283
Extra Pension and Fica expense	-
adjustment in order to not exceed the	
filed amount of \$541,362	(3,770)
Operating Reserve Increase 1.5%	<u>3,854</u>
	<u>541,362</u>

Rate Year (FYE 5/31/20) Revenue Requirement

\$ 8,828,517

Proposed Step Increase (FYE 5/31/21) Revenue Requirement

6.53%

Revenue from rates	\$ 8,828,517
Misc. Revenue	<u>321,852</u>
Total Rate Year Revenue	<u>\$ 9,150,369</u>

Originally Filed
Step Increases for 2020 -
See Docket 4879
Joint Settlement Schedule
12.1 page 1 of 2

Adjustment to	Adjusted
Step 1	Step 1
<u>Increase</u>	<u>Increase</u>

New Debt Reserve Funding	170,000		170,000	
Plant Op Contract (existing plant)	52,407	7,585	59,992	See DGB Step 1 Schedule - 1a
Remove one time Chemical Credit	145,717		145,717	
Light & Power Increase	-	(19,552)	(19,552)	See DGB Step 1 Schedule - 1a
Property & Fire Taxes Increase	1,998		1,998	
Inflation Labor @ 2%	22,049	53,657	75,706	rebuttal testimony
Inflation Non-Labor @ 2.5%	34,797		34,797	
Rate Case Expense to cover Step	16,000		16,000	
Adjustment for change in water Sales		6,337	6,337	Response to Division 6-9
PLANT MASTER MAINT MECHANIC position not eliminated		50,283	50,283	See DGB Step 1 Schedule - 1a
Pension and Fica expense on PLANT MASTER MAINT MECHANIC		-	-	rebuttal testimony
adjustment in order to not exceed the filed amount of \$541,362		(3,770)	(3,770)	rebuttal testimony
Operating Reserve Increase 1.5%	<u>3,854</u>	-	<u>3,854</u>	
	<u>446,822</u>	<u>94,540</u>	<u>541,362</u>	

Proposed Step Rates - RY 2020/2021
Woonsocket Water Division

DGB Step 1 Schedule - 2
Rebuttal

Proposed Step Increase (FYE 5/31/21) Revenue Requirement 6.53%

		Current Rate	Step 1 Step Increase 2020	Step 1 Percentage Increase
<u>Public Fire Protection</u>				
<i>Communities Outside Woonsocket</i>				
4	Inch	\$ 127.22	\$ 135.53	6.53%
6	Inch	\$ 369.55	\$ 393.69	6.53%
	Per Bill	\$ 9.44	\$ 10.06	6.53%
<u>Private Fire Protection</u>				
2	Inch	\$ 42.59	\$ 45.37	6.53%
3	Inch	\$ 86.48	\$ 92.13	6.53%
4	Inch	\$ 163.02	\$ 173.67	6.53%
6	Inch	\$ 425.51	\$ 453.31	6.53%
8	Inch	\$ 878.34	\$ 935.72	6.53%
10	Inch	\$ 1,542.40	\$ 1,643.15	6.53%
<u>Minimum Service Charge</u>				
<i>Customer Service Charge All Ratepayers</i>				
5/8	Inch	\$ 18.41	\$ 19.62	6.53%
3/4	Inch	\$ 22.18	\$ 23.63	6.53%
1	Inch	\$ 25.21	\$ 26.86	6.53%
1 1/2	Inch	\$ 38.69	\$ 41.21	6.53%
2	Inch	\$ 50.48	\$ 53.78	6.53%
3	Inch	\$ 65.96	\$ 70.27	6.53%
4	Inch	\$ 95.34	\$ 101.57	6.53%
6	Inch	\$ 161.04	\$ 171.56	6.53%
8	Inch	\$ 274.61	\$ 292.55	6.53%
10	Inch	\$ 389.79	\$ 415.25	6.53%
<i>Additional Fire Protection Service Charge Only Ratepayers in Woonsocket</i>				
5/8	Inch	\$ 14.19	\$ 15.12	6.53%
3/4	Inch	\$ 20.16	\$ 21.47	6.53%
1	Inch	\$ 24.95	\$ 26.58	6.53%
1 1/2	Inch	\$ 46.27	\$ 49.30	6.53%
2	Inch	\$ 64.94	\$ 69.18	6.53%
3	Inch	\$ 89.42	\$ 95.26	6.53%
4	Inch	\$ 135.92	\$ 144.80	6.53%
6	Inch	\$ 239.88	\$ 255.55	6.53%
8	Inch	\$ 419.58	\$ 446.98	6.53%
10	Inch	\$ 601.83	\$ 641.14	6.53%
<u>Metered Rates</u>				
Wholesale	Rate per 1,000,000 gallons	\$ 4,995.32	\$ 5,321.64	6.53%
Retail	Rate per 100 Cubic Feet	\$ 4.41	\$ 4.70	6.53%

Impact of Proposed Rates - RY 2020/2021
Woonsocket Water Division

DGB Step 1 Schedule - 3
Rebuttal

	Count or Usage	Current Revenue	Proposed Revenue	Dollar Increase	% Increase
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Ratepayers in the City of Woonsocket

5/8	Inch Meter	7,000 cu ft/yr	7,000	\$ 439.26	\$ 467.96	\$ 29	6.53%
5/8	Inch Meter	8,000 cu ft/yr	8,000	\$ 483.38	\$ 514.94	\$ 32	6.53%
5/8	Inch Meter	20,000 cu ft/yr	20000	\$ 1,012.81	\$ 1,078.97	\$ 66	6.53%
1	Inch Meter	50,000 cu ft/yr	50,000	\$ 2,406.61	\$ 2,563.82	\$ 157	6.53%
4	Inch Meter	500,000 cu ft/yr	500,000	\$ 22,984.52	\$ 24,485.99	\$ 1,501	6.53%
6	Inch Meter	1,000,000 cu ft/yr	1,000,000	\$ 45,722.59	\$ 48,709.44	\$ 2,987	6.53%

Ratepayers in Other Communities serviced by Woonsocket

5/8	Inch Meter	7,000 cu ft/yr	7,000	\$ 382.49	\$ 407.47	\$ 25	6.53%
5/8	Inch Meter	8,000 cu ft/yr	8,000	\$ 426.61	\$ 454.46	\$ 28	6.53%
5/8	Inch Meter	20,000 cu ft/yr	20000	\$ 956.03	\$ 1,018.49	\$ 62	6.53%
1	Inch Meter	50,000 cu ft/yr	50,000	\$ 2,306.80	\$ 2,457.49	\$ 151	6.53%
4	Inch Meter	500,000 cu ft/yr	500,000	\$ 22,440.83	\$ 23,906.78	\$ 1,466	6.53%
6	Inch Meter	1,000,000 cu ft/yr	1,000,000	\$ 44,763.07	\$ 47,687.24	\$ 2,924	6.53%